

Dear Sirs:

The DOE notice of Sept. 1, 2005 asks for comments on a study mandated in Section 1234 of the Energy Policy Act of 2005, to be conducted to review procedures currently used by utilities for economic generation dispatch and the potential benefits to consumers if procedures were revised.

We strongly believe that this study should include a comparison of economic dispatch base on bid prices, as generally practiced, with economic dispatch based on incremental production costs as formerly practiced. (The NRRI provided a paper discussion the most economic dispatch procedures about 10 years ago.) A simple procedure for conducting such a study would be to select a few sample days for a few regions of the country and compare actual dispatch and costs with what dispatch would have been if based in incremental production costs. To the extent feasible, differential transmission losses should be included. The study will require obtaining hourly incremental costs for the units involved, which is considered confidential data by most generators. Appropriate agreements not to disclosed data for specific companies should overcome this objection.

In addition the analysis should include the effects of basing payments on market clearing prices vs. bid prices vs. split savings based on incremental costs.

We would be pleased to answer any questions that you have.

Jack Casazza